

Honolulu, Hawaii

MAR 01 2019

RE: S.B. No. 1521
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred S.B. No. 1521, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PHARMACY BENEFIT MANAGERS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish requirements for pharmacy benefit managers and maximum allowable cost, including the ability of pharmacies to receive comprehensive maximum allowable cost lists and bring complaints within the purview of the department of commerce and consumer affairs, rather than the department of health;
- (2) Require pharmacy benefit managers to disclose where an equivalent drug can be obtained at or below the maximum allowable cost when a maximum allowable cost is upheld on appeal and allow contracting pharmacies to reverse and rebill claims if the pharmacy benefit manager establishes a maximum allowable cost that is denied on appeal and pay the difference to the contracting pharmacies; and
- (3) Clarify the available penalties for violations of maximum allowable cost requirements.



Your Committee received testimony in support of this measure from The Queen's Health Systems and O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i. Your Committee received testimony in opposition to this measure from Hawaii Medical Service Association, CVS Health, and Cigna. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs and Department of the Attorney General.

Your Committee finds that although Hawaii has an existing pharmacy benefit manager transparency law, the law lacks an appropriate enforcement mechanism or incentive for pharmacy benefit managers to comply with disclosure of maximum allowable cost lists. Your Committee further finds that strengthening the ability of pharmacies to receive timely maximum allowable cost lists, establishing a complaints process for violations, and clarifying penalties will encourage transparency amongst pharmacy benefit managers while protecting the State's independent pharmacies and consumers.

Your Committee notes the concerns raised by testifiers on this measure, including the potential for dramatic increases in the number of annual prescription drug claims as well as conflict between the requirements under this measure with previously negotiated industry standard methods of determining the fair prices of generic drugs. Your Committee finds that these concerns have merit and deserve substantive discussion to resolve the issues as this measure continues through the legislative process.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1521, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



KARL RHOADS, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary
JDC

Bill / Resolution No.:* SB 1521, SD1	Committee Referral: CPH, JDC	Date: 2/21/19		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended <input type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Recommit 2312 2311 2310 2313				
Members	Aye	Aye (WR)	Nay	Excused
RHOADS, Karl (C)	✓			
WAKAI, Glenn (VC)	✓			
GABBARD, Mike	✓			
KIM, Donna Mercado				✓
FEVELLA, Kurt				✓
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes